



Peterson  
Allred  
Jackson

**TOWN OF PARADISE**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
JUNE 30, 2005**

▪ Certified Public Accountants  
Business Consultants

2100 North Main • North Logan, Utah 84341

Phone (435) 752-6441

Fax (435) 752-6451

Email [firm@pajcpa.com](mailto:firm@pajcpa.com)

## **TABLE OF CONTENTS**

### **Page**

### **INTRODUCTORY SECTION:**

|                       |   |
|-----------------------|---|
| Letter of transmittal | 4 |
|-----------------------|---|

### **FINANCIAL SECTION:**

|  |    |
|--|----|
| Independent Auditor's Report   | 8  |
| Management's Discussion and Analysis   | 10 |
| Basic Financial Statements:  |    |
| Government-wide Financial Statements:  |    |
| Statement of Net Assets  | 16 |
| Statement of Activities  | 17 |
| Fund Financial Statements:   |    |
| Balance Sheet - Governmental Funds   | 18 |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances - Governmental Funds  | 19 |
| Reconciliation of the Statement of Revenues, Expenditures, and<br>Changes in Fund Balances of Governmental Funds to the<br>Statement of Activities | 20 |
| Statement of Revenues, Expenditures, and Changes in Fund<br>Balances - Budget and Actual - General Fund  | 21 |
| Statement of Net Assets - Proprietary Funds  | 23 |
| Statement of Revenues, Expenses, and Changes in<br>Fund Net Assets - Proprietary Funds   | 24 |
| Statement of Cash Flows - Proprietary Funds  | 25 |
| Notes to Financial Statements  | 26 |

### **SUPPLEMENTAL INFORMATION:**

|   |    |
|---|----|
| Report on Compliance and Internal Control | 38 |
| State Legal Compliance Report             | 40 |
| Management Letter with Responses          | 42 |

## **INTRODUCTORY SECTION**

**PARADISE TOWN CORPORATION**  
**Paradise, Utah 84328**

November 10, 2005

Paradise Town Council  
Paradise, Utah

Council:

It is with great pleasure that the financial statements for the Town of Paradise for the year ended June 30, 2005, is presented.

In addition to the fund financial information currently presented in the Town's financial statements, this report includes government-wide financial statements. The government-wide financial statements include a Statement of Net Assets that provides the total net assets of the Town including all capital assets (including infrastructure) and the Statement of Activities that shows the cost of providing government services.

State law requires that all local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. These financial statements are hereby issued and submitted to you for the fiscal year ended June 30, 2005, in accordance with these requirements.

This report consists of management's representations concerning the finances of the Town of Paradise. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management has established an internal control framework that is designed to both protect the assets of the Town from loss, theft, or misuse and to allow for the compiling of sufficient reliable information for the preparation of the Town's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the Town's internal control procedures have been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To the best of management's knowledge and belief, this financial report is complete and reliable in all material respects.

The Town of Paradise's financial statements have been audited by Peterson Allred Jackson, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the Town of Paradise for the fiscal year ended June 30, 2005, are free of material misstatement. The independent audit involved examining, on

a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the Town of Paradise's financial statements for the fiscal year ended June 30, 2005, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

I wish to express my appreciation to all members of the Town who assisted and contributed to the preparation of this report.

Respectfully submitted,

Mayor Lee Atwood  
Town of Paradise

## **FINANCIAL SECTION**

**This page intentionally left blank.**



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Town Council  
Town of Paradise  
Paradise, Utah

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the Town of Paradise, Utah (the Town), as of and for the year ended June 30, 2005, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, of the Town, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2005 on our consideration of the Town's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results for our audit.



The Management's Discussion and Analysis on pages 10-14, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Peterson Alured Jackson

November 10, 2005

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Paradise, we offer readers of the Town of Paradise's financial statements this narrative overview and analysis of the financial activities of the Town of Paradise for the fiscal year ended June 30, 2005.

### **FINANCIAL HIGHLIGHTS**

- The total net assets of \$1,430,283 is made up of \$720,551 in capital assets net of related debt and \$709,732 in other net assets.
- In the Enterprise Fund, revenues exceeded expenditures by \$70,661.
- Total long-term liabilities of the Town were reduced by \$17,476.

### **REPORTING THE TOWN AS A WHOLE**

This discussion and analysis is intended to serve as an introduction to the Town of Paradise's basic financial statements. The Town of Paradise's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes other supplementary information in addition to the basic financial statements.

**The government-wide financial statements** are designed to provide readers with a broad overview of the Town of Paradise's finances, in a manner similar to a private-sector business.

- The statements of net assets presents information on all of the Town of Paradise's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Town of Paradise is improving or deteriorating. However, you will also need to consider other nonfinancial factors.
- The statement of activities presents information showing how the Town's net assets changed during the fiscal year reported. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus all of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

Both of the government-wide financial statements distinguish functions of the Town of Paradise that are principally supported by taxes and intergovernmental revenues ( governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The government-wide financial statements can be found on pages 16 & 17 of this report.

## REPORTING THE TOWN'S MOST SIGNIFICANT FUNDS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town of Paradise also uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Town can be divided into two categories: governmental funds, and proprietary funds.

- Governmental funds - These funds are used to account for the same functions reported as governmental activities in the government-wide financial statements. These fund statements focus on how money flows into and out of these funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and other financial assets that can be readily converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps users determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the fund financial statements.

The governmental funds determined to be major are the General Fund (as determined by generally accepted accounting principles) and the Capital Projects Fund.

- Proprietary funds - The Town of Paradise maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Town of Paradise uses enterprise funds to account for its Water Utility.

As determined by generally accepted accounting principles, all enterprise funds meet the criteria of major fund classification.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Town of Paradise, assets exceed liabilities by \$1,430,283.

By far the largest portion of the Town of Paradise's net assets (50%) reflects its investment in capital assets (e.g., land, buildings, infrastructure assets, and machinery and equipment), less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# STATEMENT OF NET ASSETS

|   | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                   |
|---|--------------------------------|-------------------|---------------------------------|-------------------|
|   | <u>2005</u>                    | <u>2004</u>       | <u>2005</u>                     | <u>2004</u>       |
| Current and other assets                | \$ 587,368                     | \$ 461,610        | \$ 247,046                      | \$ 191,182        |
| Capital assets                          | <u>153,257</u>                 | <u>191,985</u>    | <u>787,100</u>                  | <u>777,337</u>    |
| Total assets                            | <u>740,625</u>                 | <u>653,595</u>    | <u>1,034,146</u>                | <u>968,519</u>    |
| Long-term debt outstanding              | —                              | —                 | 219,806                         | 237,282           |
| Other liabilities                       | <u>110,646</u>                 | <u>48,114</u>     | <u>14,036</u>                   | <u>1,594</u>      |
| Total liabilities                       | <u>110,646</u>                 | <u>48,114</u>     | <u>233,842</u>                  | <u>238,876</u>    |
| Net assets:                             |                                |                   |                                 |                   |
| Invested in capital assets, net of debt | 153,257                        | 191,985           | 567,294                         | 540,055           |
| Restricted                              | 278,988                        | 126,762           | 138,714                         | 109,940           |
| Unrestricted                            | <u>197,734</u>                 | <u>286,734</u>    | <u>94,296</u>                   | <u>79,648</u>     |
| Total net assets                        | <u>\$ 629,979</u>              | <u>\$ 605,481</u> | <u>\$ 800,304</u>               | <u>\$ 729,643</u> |

## CHANGES IN NET ASSETS

|                                   | <u>Governmental Activities</u> |                   | <u>Business-type Activities</u> |                   |
|-----------------------------------|--------------------------------|-------------------|---------------------------------|-------------------|
|                                   | <u>2005</u>                    | <u>2004</u>       | <u>2005</u>                     | <u>2004</u>       |
| Revenues:                         |                                |                   |                                 |                   |
| Program revenues:                 |                                |                   |                                 |                   |
| Charges for services              | \$ 113,087                     | \$ 95,360         | \$ 151,226                      | \$ 93,703         |
| Operating grants & contributions  | 9,219                          | 430               | —                               | —                 |
| Capital grants & contributions    | 34,610                         | 76,633            | —                               | —                 |
| General revenues:                 |                                |                   |                                 |                   |
| Property taxes                    | 31,065                         | 30,993            | —                               | —                 |
| Other taxes                       | 61,009                         | 57,383            | —                               | —                 |
| Investment income                 | 2,521                          | 4,226             | 4,182                           | 2,179             |
| Other revenues                    | <u>1,235</u>                   | <u>550</u>        | <u>—</u>                        | <u>—</u>          |
| Total revenues                    | <u>252,746</u>                 | <u>265,575</u>    | <u>155,408</u>                  | <u>95,882</u>     |
| Expenses:                         |                                |                   |                                 |                   |
| General government                | 51,210                         | 64,865            | —                               | —                 |
| Public safety                     | 56,166                         | 44,426            | —                               | —                 |
| Highways/public improvements      | 97,435                         | 89,602            | —                               | —                 |
| Parks & recreation                | 23,437                         | 22,698            | —                               | —                 |
| Water                             | <u>—</u>                       | <u>—</u>          | <u>84,747</u>                   | <u>81,099</u>     |
| Total expenses                    | <u>228,248</u>                 | <u>221,591</u>    | <u>84,747</u>                   | <u>81,099</u>     |
| Increase (decrease) in net assets | 24,498                         | 43,984            | 70,661                          | 14,783            |
| Net assets, beginning of year     | <u>605,481</u>                 | <u>561,497</u>    | <u>729,643</u>                  | <u>714,860</u>    |
| Net assets, end of year           | <u>\$ 629,979</u>              | <u>\$ 605,481</u> | <u>\$ 800,304</u>               | <u>\$ 729,643</u> |

## **FINANCIAL ANALYSIS OF GOVERNMENT'S FUNDS**

The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's financing requirements.

As of the June 30, 2005, the Town's governmental fund (General) reported a fund balance of \$356,722. This represents a decrease of \$56,774 (14%) over last year's ending balances.

The General Fund is the chief operating fund of the Town. All activities which are not required to be accounted for in separate funds either by state or local ordinance or by a desire to maintain a matching of revenues and expenses are accounted for in this fund.

Taxes continue to be the largest source of revenue in the General Fund and represent 36% of total general fund revenues. The largest element of taxes is sales taxes as it has been for the last several years. It represents 64% of total tax revenues and represents 23% of total general fund revenues. This compares with 21% in the prior fiscal year ended June 30, 2004.

As stated earlier, the Town maintains one enterprise fund to account for the business-type activities of the Town. The separate fund statements included in this report provides the same information for business-type activities as is provided in the government-wide financial statements. However, the difference is that the fund statements provide much more detail.

Significant changes in the governmental funds include transfer to set up a capital projects fund for \$120,000.

Significant changes in business-type activities include a \$17,476 decrease in debt due to regular principal payments.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

During the fiscal year the General Fund original budget was amended from an original budget expenditure total of \$170,117 to a final budget of \$345,253 (103%). These increases were made to take advantage of revenues and expenses being higher than originally anticipated for fire department costs, first responders, transfers to capital projects fund, and administration.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

Capital assets- The Town of Paradise's investment in capital assets for its governmental and business-type activities as of June 30, 2005, amounts to \$940,357 (net of accumulated infrastructure (streets, sidewalks, etc.), and machinery and equipment. The total decrease in the Town's investment in fixed assets for the current year was 3.9% (due to depreciation exceeding new purchases).

Major capital asset events during the current fiscal year included the following:

- \$10,113 for fire department equipment.
- \$14,298 for the road improvements.
- \$38,239 for water improvements.

#### TOWN OF PARADISE'S CAPITAL ASSETS

|                                | Governmental<br><u>Activities</u> | Business-type<br><u>Activities</u> |
|--------------------------------|-----------------------------------|------------------------------------|
| Land                           | \$ 32,091                         | \$ —                               |
| Buildings and improvements     | 63,709                            | 1,251,468                          |
| Park improvements              | 105,962                           | —                                  |
| Infrastructure                 | 930,245                           | —                                  |
| Machinery & equipment          | 150,854                           | 20,956                             |
| Less: Accumulated depreciation | <u>(1,129,604)</u>                | <u>(485,324)</u>                   |
| Total                          | <u>\$ 153,257</u>                 | <u>\$ 787,100</u>                  |

Additional information on the Town's capital assets can be found in the footnotes to this financial report.

Long-term debt - At June 30, 2005, the Town had total bonded debt outstanding of \$219,806. Of this amount \$219,806 is debt which is secured solely by specific revenue sources (i.e., revenue bonds).

#### TOWN OF PARADISE'S OUTSTANDING DEBT

|                        | Business-type<br><u>Activities</u> |
|------------------------|------------------------------------|
| Revenue bonds          | <u>\$ 219,806</u>                  |
| Total outstanding debt | <u>\$ 219,806</u>                  |

The Town's total debt decreased by \$17,476 during the fiscal year.

Additional information on the outstanding debt obligations of the Town can be found in the footnotes to this report.

**This page intentionally left blank.**

**TOWN OF PARADISE**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

|  | Governmental      | Business-type       | Total               | Memorandum          |
|--|-------------------|---------------------|---------------------|---------------------|
| ASSETS   | Activities        | Activities          | 2005                | Only<br>2004        |
| Cash   | \$ 191,887        | \$ 90,305           | \$ 282,192          | \$ 345,779          |
| Account receivable                                 | 11,892            | 15,402              | 27,294              | 23,102              |
| Taxes receivable                                   | 31,558            | -                   | 31,558              | 31,833              |
| Restricted taxes receivable                        | 7,066             | -                   | 7,066               | 11,569              |
| Bond discounts                                     | -                 | 2,625               | 2,625               | 2,844               |
| Restricted cash                                    | 344,965           | 138,714             | 483,679             | 237,665             |
| Capital assets                                     |                   |                     |                     |                     |
| Land   | 32,091            | -                   | 32,091              | 30,091              |
| Buildings and improvements                         | 63,709            | 1,251,468           | 1,315,177           | 1,276,938           |
| Park improvements                                  | 105,962           | -                   | 105,962             | 105,962             |
| Infrastructure                                     | 930,245           | -                   | 930,245             | 915,947             |
| Machinery & equipment                              | 150,854           | 20,956              | 171,810             | 161,697             |
| Less: Accumulated Depreciation                     | (1,129,604)       | (485,324)           | (1,614,928)         | (1,521,313)         |
| Total assets                                       | <u>\$ 740,625</u> | <u>\$ 1,034,146</u> | <u>\$ 1,774,771</u> | <u>\$ 1,622,114</u> |
| LIABILITIES  |                   |                     |                     |                     |
| Accounts payable                                   | 7,603             | 13,136              | 20,739              | 6,216               |
| Interest payable                                   | -                 | 900                 | 900                 | 960                 |
| Contractor retainage                               | 73,043            | -                   | 73,043              | 12,532              |
| Bonds payable:                                     |                   |                     |                     |                     |
| Due within one year                                | -                 | 15,531              | 15,531              | 14,977              |
| Due in more than one year                          | -                 | 204,275             | 204,275             | 222,305             |
| Deferred revenue                                   | 30,000            | -                   | 30,000              | 30,000              |
| Total liabilities                                  | <u>110,646</u>    | <u>233,842</u>      | <u>344,488</u>      | <u>286,990</u>      |
| NET ASSETS   |                   |                     |                     |                     |
| Invested in capital assets, net of<br>related debt | 153,257           | 567,294             | 720,551             | 732,040             |
| Restricted for:                                    |                   |                     |                     |                     |
| Debt service                                       | -                 | 31,162              | 31,162              | 31,770              |
| Roads and town improvements                        | 278,988           | 107,552             | 386,540             | 204,932             |
| Unrestricted                                       | 197,734           | 94,296              | 292,030             | 366,382             |
| Total Net Assets                                   | <u>\$ 629,979</u> | <u>\$ 800,304</u>   | <u>\$ 1,430,283</u> | <u>\$ 1,335,124</u> |

The notes to the financial statements are an integral part of this statement.



**TOWN OF PARADISE**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2005**  
**With Comparative Totals for June 30, 2004**

|  | Program Revenues        |  |                                      |             | Net<br>Governmental<br>Activities | Business<br>type<br>Activities | Totals<br>2005 | Memorandum<br>Only<br>2004 |
|--|-------------------------|--|--------------------------------------|-------------|-----------------------------------|--------------------------------|----------------|----------------------------|
|  | Charges for<br>Services | Operating<br>Grants &<br>Contributions | Capital<br>Grants &<br>Contributions |             |                                   |                                |                |                            |
| <b>Governmental activities:</b>            |                         |  |                                      |             |                                   |                                |                |                            |
| General government                         | \$ 51,210               | \$ -                                   | \$ -                                 | \$ (38,799) | \$ -                              | \$ (38,799)                    | \$ (50,681)    |                            |
| Public Safety                              | 56,166                  | 9,219                                  | -                                    | (30,005)    | -                                 | (30,005)                       | 7,550          |                            |
| Highways & public improvements             | 97,435                  | -                                      | 34,610                               | (1,045)     | -                                 | (1,045)                        | 4,545          |                            |
| Parks, recreation & public property        | 23,437                  | -                                      | -                                    | (1,483)     | -                                 | (1,483)                        | (10,582)       |                            |
| Total governmental activities              | 228,248                 | 113,087                                | 34,610                               | (71,332)    | -                                 | (71,332)                       | (49,168)       |                            |
| <b>Business-type activities:</b>           |                         |  |                                      |             |                                   |                                |                |                            |
| Water                                      | 84,747                  | 151,226                                | -                                    | -           | 66,479                            | 66,479                         | 12,604         |                            |
| Total business-type activities             | 84,747                  | 151,226                                | -                                    | -           | 66,479                            | 66,479                         | 12,604         |                            |
| <b>General Revenues:</b>                   |                         |  |                                      |             |                                   |                                |                |                            |
| <b>Taxes:</b>                              |                         |  |                                      |             |                                   |                                |                |                            |
| Property taxes levied for general purposes |                         |  |                                      | 31,065      | -                                 | 31,065                         | 30,993         |                            |
| Franchise taxes                            |                         |  |                                      | 2,340       | -                                 | 2,340                          | 2,420          |                            |
| General sales taxes & highway sales taxes  |                         |  |                                      | 58,669      | -                                 | 58,669                         | 54,963         |                            |
| Business licenses                          |                         |  |                                      | 1,235       | -                                 | 1,235                          | 550            |                            |
| Investment income                          |                         |  |                                      | 2,521       | 4,182                             | 6,703                          | 6,405          |                            |
| Total general revenues & transfers         |                         |  |                                      | 95,830      | 4,182                             | 100,012                        | 95,331         |                            |
| Change in net assets                       |                         |  |                                      | 24,498      | 70,661                            | 95,159                         | 58,767         |                            |
| Net assets - beginning                     |                         |  |                                      | 605,481     | 729,643                           | 1,335,124                      | 1,276,357      |                            |
| Net assets - ending                        |                         |  |                                      | \$ 629,979  | \$ 800,304                        | \$ 1,430,283                   | \$ 1,335,124   |                            |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE  
GOVERNMENTAL FUNDS TYPE  
BALANCE SHEET  
JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

|   | General           | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds<br>2005 | Memorandum<br>Only<br>2004 |
|---|-------------------|-----------------------------|--|----------------------------|
| <b>ASSETS</b>   |                   |                             |  |                            |
| Cash  | \$ 191,887        |                             | \$ 191,887                             | \$ 280,184                 |
| Accounts receivable   | 11,892            |                             | 11,892                                 | 10,299                     |
| Taxes receivable  | 31,558            |                             | 31,558                                 | 31,833                     |
| Restricted assets:  |                   |                             |  |                            |
| Cash  | 224,965           | 120,000                     | 344,965                                | 127,725                    |
| Taxes receivable  | 7,066             |                             | 7,066                                  | 11,569                     |
| Total assets  | <u>\$ 467,368</u> | <u>\$ 120,000</u>           | <u>\$ 587,368</u>                      | <u>\$ 461,610</u>          |
| <b>LIABILITIES AND FUND BALANCE</b>   |                   |                             |  |                            |
| Liabilities:  |                   |                             |  |                            |
| Accounts payable  | \$ 7,603          | \$ -                        | \$ 7,603                               | \$ 5,582                   |
| Contractor retainage  | 73,043            | -                           | 73,043                                 | 12,532                     |
| Deferred revenue  | 30,000            | -                           | 30,000                                 | 30,000                     |
| Total liabilities   | <u>110,646</u>    | <u>-</u>                    | <u>110,646</u>                         | <u>48,114</u>              |
| Fund Balance:   |                   |                             |  |                            |
| Reserved for roads  | 108,478           | -                           | 108,478                                | 100,293                    |
| Reserved for fire department  | -                 | -                           | -                                      | 6,874                      |
| Reserved for first responders   | -                 | -                           | -                                      | 1,406                      |
| Reserved for impact fees  | 50,510            | -                           | 50,510                                 | 18,189                     |
| Reserved for capital projects   | -                 | 120,000                     | 120,000                                | -                          |
| Unreserved - undesignated   | 197,734           | -                           | 197,734                                | 286,734                    |
| Total fund balance  | <u>356,722</u>    | <u>120,000</u>              | <u>476,722</u>                         | <u>413,496</u>             |
| Total liabilities and fund balance  | <u>\$ 467,368</u> | <u>\$ 120,000</u>           |  |                            |
| Amounts reported for governmental activities in the statement of net assets are different because:                        |                   |                             |  |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. |                   |                             | <u>153,257</u>                         | <u>191,985</u>             |
| Net assets reconciled to the Statement of Activities  |                   |                             | <u>\$ 629,979</u>                      | <u>\$ 605,481</u>          |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE  
GOVERNMENTAL FUNDS TYPE  
STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
YEAR ENDED JUNE 30, 2005  
With Comparative Totals for June 30, 2004**

|  | General           | Capital<br>Projects<br>Fund | Total<br>Governmental<br>Funds<br>2005 | Memorandum<br>Only<br>2004 |
|--|-------------------|-----------------------------|--|----------------------------|
| <b>Revenues:</b>   |                   |                             |  |                            |
| Taxes & special assessments                                  | \$ 92,074         | \$ -                        | \$ 92,074                              | \$ 88,376                  |
| Licenses and permits   | 6,786             | -                           | 6,786                                  | 4,434                      |
| Intergovernmental  | 43,829            | -                           | 43,829                                 | 77,063                     |
| Charges for services   | 85,341            | -                           | 85,341                                 | 66,550                     |
| Investment income  | 2,521             | -                           | 2,521                                  | 4,226                      |
| Miscellaneous  | 22,195            | -                           | 22,195                                 | 24,926                     |
| <b>Total revenues</b>  | <b>252,746</b>    | <b>-</b>                    | <b>252,746</b>                         | <b>265,575</b>             |
| <b>Expenditures:</b>   |                   |                             |  |                            |
| Current:   |                   |                             |  |                            |
| General government   | 49,268            | -                           | 49,268                                 | 61,921                     |
| Public safety  | 57,539            | -                           | 57,539                                 | 60,812                     |
| Highways & public improvements                               | 64,385            | -                           | 64,385                                 | 45,325                     |
| Parks, recreation & public property                          | 18,328            | -                           | 18,328                                 | 15,580                     |
| <b>Total expenditures</b>                                    | <b>189,520</b>    | <b>-</b>                    | <b>189,520</b>                         | <b>183,638</b>             |
| <b>Excess (deficiency) of revenues<br/>over expenditures</b> | <b>63,226</b>     | <b>-</b>                    | <b>63,226</b>                          | <b>81,937</b>              |
| <b>Other financing sources (uses):</b>                       |                   |                             |  |                            |
| Transfers in (out)   | (120,000)         | 120,000                     | -                                      | -                          |
| <b>Total other financing sources (uses)</b>                  | <b>(120,000)</b>  | <b>120,000</b>              | <b>-</b>                               | <b>-</b>                   |
| <b>Net change in fund balances</b>                           | <b>(56,774)</b>   | <b>120,000</b>              | <b>63,226</b>                          | <b>81,937</b>              |
| <b>Fund balances, beginning of year</b>                      | <b>413,496</b>    | <b>-</b>                    | <b>413,496</b>                         | <b>331,559</b>             |
| <b>Fund balances, end of year</b>                            | <b>\$ 356,722</b> | <b>\$ 120,000</b>           | <b>\$ 476,722</b>                      | <b>\$ 413,496</b>          |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2005**

**With Comparative Totals for June 30, 2004**

|   | 2005             | Memorandum<br>Only<br>2004 |
|---|------------------|----------------------------|
| Net change in fund balances - total governmental funds  | \$ 63,226        | \$ 81,937                  |
| <p>Amounts reported for governmental activities in the statement of activities differs from the amounts reported in the statement of revenues, expenditures, and changes in fund balance because:</p> <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.</p> |                  |                            |
|   | <u>(38,728)</u>  | <u>(37,953)</u>            |
| Change in net assets of governmental activities   | <u>\$ 24,498</u> | <u>\$ 43,984</u>           |

**TOWN OF PARADISE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
YEAR ENDED JUNE 30, 2005**

|                                    | <u>BUDGETED AMOUNTS</u> |              | <u>ACTUAL</u> | <u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE (NEGATIVE)</u> |
|------------------------------------|-------------------------|--------------|---------------|---|
|                                    | <u>ORIGINAL</u>         | <u>FINAL</u> |               |   |
| <b>REVENUES:</b>                   |                         |              |               |   |
| <b>Taxes:</b>                      |                         |              |               |   |
| General property taxes             | \$ 19,000               | \$ 19,000    | \$ 31,065     | \$ 12,065   |
| General sales & use taxes          | 40,000                  | 48,000       | 58,669        | 10,669  |
| Franchise taxes                    | 800                     | 800          | 2,340         | 1,540   |
| Total taxes                        | 59,800                  | 67,800       | 92,074        | 24,274  |
| <b>Licenses &amp; permits:</b>     |                         |              |               |   |
| Business licenses & permits        | 250                     | 250          | 1,235         | 985   |
| Non-business licenses & permits    | 1,400                   | 1,400        | 5,551         | 4,151   |
| Total licenses & permits           | 1,650                   | 1,650        | 6,786         | 5,136   |
| <b>Intergovernmental revenues:</b> |                         |              |               |   |
| Class "C" roads                    | 36,337                  | 36,337       | 34,610        | (1,727)   |
| State liquor allotment             | 400                     | 400          | 247           | (153)   |
| State/Local Grants                 | -                       | 8,971        | 8,972         | 1   |
| Total intergovernmental revenues   | 36,737                  | 45,708       | 43,829        | (1,879)   |
| <b>Charges for services:</b>       |                         |              |               |   |
| Sanitation                         | 38,000                  | 38,000       | 40,156        | 2,156   |
| Parks & recreation                 | 800                     | 800          | 930           | 130   |
| Communication center               | 5,600                   | 6,000        | 6,084         | 84  |
| Fire department                    | 6,530                   | 6,530        | 6,530         | -   |
| Impact fees                        | 2,500                   | 2,500        | 31,641        | 29,141  |
| Total charges for services         | 53,430                  | 53,830       | 85,341        | 31,511  |
| <b>Miscellaneous:</b>              |                         |              |               |   |
| Interest                           | 500                     | 500          | 2,521         | 2,021   |
| First responders                   | -                       | -            | 667           | 667   |
| Celebrations                       | 8,000                   | 16,520       | 14,668        | (1,852)   |
| Other                              | -                       | 2,714        | 6,860         | 4,146   |
| Total Miscellaneous                | 8,500                   | 19,734       | 24,716        | 4,982   |
| Total Revenues                     | \$ 160,117              | \$ 188,722   | \$ 252,746    | \$ 64,024   |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL  
(CONTINUED)  
YEAR ENDED JUNE 30, 2005**

|   | <u>BUDGETED AMOUNTS</u> |              |               | <u>VARIANCE WITH<br/>FINAL BUDGET<br/>POSITIVE (NEGATIVE)</u> |
|---|-------------------------|--------------|---------------|---|
|   | <u>ORIGINAL</u>         | <u>FINAL</u> | <u>ACTUAL</u> |   |
| EXPENDITURES                              |                         |              |               |   |
| General government:                       |                         |              |               |   |
| Administration                            | \$ 37,680               | \$ 49,680    | \$ 38,127     | \$ 11,553   |
| Building & grounds                        | 5,300                   | 5,300        | 6,492         | (1,192)   |
| Community development                     | 5,800                   | 5,800        | 4,649         | 1,151   |
| Total general government                  | 48,780                  | 60,780       | 49,268        | 11,512  |
| Public Safety:                            |                         |              |               |   |
| Police                                    | 3,000                   | 3,000        | 2,800         | 200   |
| Communication center                      | 5,600                   | 6,000        | -             | 6,000   |
| Fire                                      | 11,500                  | 40,000       | 38,601        | 1,399   |
| First responder                           | 4,000                   | 17,236       | 14,434        | 2,802   |
| Animal Control                            | 1,900                   | 1,900        | 1,704         | 196   |
| Total Public Safety                       | 26,000                  | 68,136       | 57,539        | 10,597  |
| Highways & public improvements:           |                         |              |               |   |
| Streets                                   | 36,337                  | 36,337       | 29,628        | 6,709   |
| Sanitation                                | 38,000                  | 38,000       | 34,757        | 3,243   |
| Total highways & improvements             | 74,337                  | 74,337       | 64,385        | 9,952   |
| Parks, Recreation & Public Property:      |                         |              |               |   |
| Parks and open spaces                     | 21,000                  | 22,000       | 18,328        | 3,672   |
| Total parks, recreation & public property | 21,000                  | 22,000       | 18,328        | 3,672   |
| Transfers                                 | -                       | 120,000      | 120,000       | -   |
| TOTAL EXPENDITURES                        | 170,117                 | 345,253      | 309,520       | 35,733  |
| Net change in fund balance                | (10,000)                | (156,531)    | (56,774)      | 99,757  |
| Fund Balance at beginning of year         | 413,496                 | 413,496      | 413,496       | -   |
| Fund Balance at end of year               | \$ 403,496              | \$ 256,965   | \$ 356,722    | \$ 99,757   |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE  
STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2005  
With Comparative Totals at June 30, 2004**

|  | WATER<br>UTILITIES<br>2005 | MEMORANDUM<br>TOTALS<br>2004 |
|--|----------------------------|------------------------------|
| <b>ASSETS</b>                                      |                            |                              |
| Current assets:                                    |                            |                              |
| Cash   | \$ 90,305                  | \$ 65,595                    |
| Accounts receivable                                | 15,402                     | 12,803                       |
| Bond discounts                                     | 2,625                      | 2,844                        |
| Restricted cash                                    | <u>138,714</u>             | <u>109,940</u>               |
| Total current assets                               | <u>247,046</u>             | <u>191,182</u>               |
| Capital assets                                     |                            |                              |
| Buildings and improvements                         | 1,251,468                  | 1,213,229                    |
| Equipment  | 20,956                     | 20,956                       |
| Less Accumulated depreciation                      | <u>(485,324)</u>           | <u>(456,848)</u>             |
| Total capital assets                               | <u>787,100</u>             | <u>777,337</u>               |
| <b>TOTAL ASSETS</b>                                | <u><b>1,034,146</b></u>    | <u><b>968,519</b></u>        |
| <b>LIABILITIES</b>                                 |                            |                              |
| Current liabilities:                               |                            |                              |
| Accounts payable                                   | 13,136                     | 634                          |
| Interest payable                                   | <u>900</u>                 | <u>960</u>                   |
| Total current liabilities                          | <u>14,036</u>              | <u>1,594</u>                 |
| Long-term liabilities:                             |                            |                              |
| Bonds payable - due within a year                  | 15,531                     | 14,977                       |
| Due in more than one year                          | <u>204,275</u>             | <u>222,305</u>               |
| Total long -term liabilities                       | <u>219,806</u>             | <u>237,282</u>               |
| Total liabilities                                  | <u>233,842</u>             | <u>238,876</u>               |
| <b>NET ASSETS</b>                                  |                            |                              |
| Invested in capital assets,<br>net of related debt | 567,294                    | 540,055                      |
| Restricted   | 138,714                    | 109,940                      |
| Unrestricted                                       | <u>94,296</u>              | <u>79,648</u>                |
| Total net assets                                   | <u><b>\$ 800,304</b></u>   | <u><b>\$ 729,643</b></u>     |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES**  
**IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2005**  
**With Comparative Amounts as of June 30, 2004**

|                                       | WATER<br>UTILITIES<br>2005 | MEMORANDUM<br>TOTALS<br>2004 |
|---------------------------------------|----------------------------|------------------------------|
| OPERATING REVENUES:                   |                            |                              |
| Charges for services                  | \$ 143,084                 | \$ 93,339                    |
| Other operating revenues              | 8,142                      | 364                          |
| Total operating revenues              | <u>151,226</u>             | <u>93,703</u>                |
| OPERATING EXPENSES                    |                            |                              |
| Salary and wages                      | 10,000                     | 9,000                        |
| Other operating expenses              | 29,042                     | 26,438                       |
| Supplies                              | 5,988                      | 5,545                        |
| Depreciation                          | <u>28,476</u>              | <u>28,368</u>                |
| Total operating expenses              | <u>73,506</u>              | <u>69,351</u>                |
| Operating income                      | <u>77,720</u>              | <u>24,352</u>                |
| NON-OPERATING REVENUES (EXPENSES)     |                            |                              |
| Interest income                       | 4,182                      | 2,179                        |
| Interest charges                      | <u>(11,241)</u>            | <u>(11,748)</u>              |
| Total non-operating revenue (expense) | <u>(7,059)</u>             | <u>(9,569)</u>               |
| Change in net assets                  | 70,661                     | 14,783                       |
| Total net assets - beginning          | <u>729,643</u>             | <u>714,860</u>               |
| Total net assets -ending              | <u>\$ 800,304</u>          | <u>\$ 729,643</u>            |

The notes to the financial statements are an integral part of this statement.



**TOWN OF PARADISE**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**YEAR ENDED JUNE 30, 2005**  
**With Comparative Amounts as of June 30, 2004**

|  | WATER<br>UTILITIES<br>2005 | MEMORANDUM<br>ONLY<br>2004 |
|--|----------------------------|----------------------------|
| <b>CASH FLOWS FROM OPERATING<br/>ACTIVITIES</b>  |                            |                            |
| Receipts from customers and users  | \$ 148,627                 | \$ 88,729                  |
| Payments to suppliers  | (22,369)                   | (32,805)                   |
| Payments to employees  | (10,000)                   | (9,000)                    |
| Net cash provided (used) by operating activities   | <u>116,258</u>             | <u>46,924</u>              |
| <b>CASH FLOWS FROM CAPITAL AND<br/>RELATED FINANCING ACTIVITIES</b>                                    |                            |                            |
| Purchases of capital assets  | (38,239)                   | (2,825)                    |
| Principal paid on capital debt   | (17,476)                   | (16,680)                   |
| Interest paid on capital debt  | (11,241)                   | (11,748)                   |
| Net cash provided (used) by capital and<br>related financing activities                                | <u>(66,956)</u>            | <u>(31,253)</u>            |
| <b>CASH FLOWS FROM INVESTING<br/>ACTIVITIES</b>  |                            |                            |
| Interest received  | <u>4,182</u>               | <u>2,179</u>               |
| Net increase in cash and cash<br>equivalents   | 53,484                     | 17,850                     |
| Cash and equivalents at beginning of year  | <u>175,535</u>             | <u>157,685</u>             |
| Cash and equivalents at end of year  | <u>\$ 229,019</u>          | <u>\$ 175,535</u>          |
| <b>Reconciliation of operating income to<br/>net cash provided (used) by operating<br/>activities:</b> |                            |                            |
| Operating income   | \$ 77,720                  | \$ 24,352                  |
| Adjustments to reconcile net income from operations<br>to net cash provided by operating activities:   |                            |                            |
| Depreciation   | 28,476                     | 28,368                     |
| Changes in assets & liabilities:   |                            |                            |
| Decrease (increase) in receivables   | (2,599)                    | (4,974)                    |
| Decrease (increase) in other assets  | 219                        | 219                        |
| Increase (decrease) in accruals  | <u>12,442</u>              | <u>(1,041)</u>             |
| Total adjustments  | <u>38,538</u>              | <u>22,572</u>              |
| Net cash provided (used) by operating<br>activities:   | <u>\$ 116,258</u>          | <u>\$ 46,924</u>           |

The notes to the financial statements are an integral part of this statement.

**TOWN OF PARADISE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005**

**Note 1: Summary of significant accounting policies**

**Reporting entity**

The basic financial statements of the Town have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing accounting and financial reporting principles.

Financial reporting is based upon all GASB pronouncements, as well as the FASB Statements and Interpretations, APB Opinions and Accounting Research Bulletins that were issued on or before November 30, 1989 that do not conflict with or contradict GASB pronouncements. FASB pronouncements issued after November 30, 1989 are not followed in the preparations of the accompanying financial statements.

**Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the Town. Interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement focus, basis of accounting, and financial statement presentation.**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as

revenue as soon as all eligibility requirements imposed by the provider have been met. The Town applies expenses for restricted resources first when both restricted and unrestricted net assets are available.

The use of financial resources to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term debt of the Town are reported as a reduction of the related liability, rather than an expenditure in the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt-services expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is due.

Sales taxes, franchise taxes, and earned but unreimbursed state and federal grants associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenues are considered to be measurable and available only when cash is received by the Town.

The Town reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except for those required to be accounted for in another fund.

The Capital Projects Fund is used to accumulate funds for the capital projects for the governmental funds.

The Town reports the following major proprietary funds:

The Water Utility accounts for the activities of the Town's water production, treatment, and distribution operations.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of all enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

### Fixed assets and long-term liabilities

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an individual cost of more than \$500 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. Prior to the audit for the year ended June 30, 1982, a list of general fixed assets was not kept. At the time of that audit, an inventory of general fixed assets was taken and entered on the books. When actual costs were not available, the assets were recorded at estimated cost.

Depreciation of all exhaustible fixed assets used is charged as an expense against their operations. Accumulated depreciation is reported on the financial statements. Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

|                                     |             |
|-------------------------------------|-------------|
| Water and sewer system improvements | 40-50 years |
| Buildings                           | 20-30 years |
| Machinery and equipment             | 5-10 years  |
| Roads and infrastructure            | 20 years    |
| Improvements other than buildings   | 20 years    |

### Property Tax

Cache County assesses all taxable property other than centrally-assessed property, which is assessed through the state, by May 22 of each year. The Town should adopt a final tax rate prior to June 22, which is then submitted to the state for approval. Property taxes are due on November 30. Delinquent taxes are subject to a penalty of 2% or \$10.00, whichever is greater. After January 16 of the following year, delinquent taxes and penalty bear interest at 6% above the federal discount rate from January 1 until paid.

Property taxes attach as an enforceable lien on property as they become delinquent. All unpaid taxes levied during the year become delinquent December 1 of the current year.

Property tax revenues are recognized when they become measurable and available. Amounts available include those property tax receivables expected to be collected within sixty days after year end.

### Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual budgets are adopted for governmental and proprietary fund types. Encumbrance accounting is not employed by the Town in its governmental funds, therefore all annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital project funds.

The Town can make adjustments to the adopted budget through public hearings. During the fiscal year, the Town made budget adjustments through a public hearing, the effects of which were not material.

### Capitalized Interest

The Town capitalizes interest costs and interest earned as part of the cost of constructing various buildings, and water projects when material. Interest is only capitalized in proprietary activities.

### Statement of Cash Flows

For the purposes of the Statement of Cash Flows, the business-type activities considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

### Bond Issue Costs

Bond issuance costs are deferred and amortized over the life of the bonds using the straight line method. Issuance costs are reported as deferred charges.

### Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

### Reconciliation of government-wide and fund financial statements

#### **A. Explanation of certain differences between the governments fund balance sheet and the government-wide statement of net assets.**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. These differences primarily result from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets.

**Capital related items:**

When capital assets (property, plant, & equipment) that are to be used in governmental activities are purchased or constructed, the cost of those assets are reported as expenditures in governmental funds. However, the statement of net assets includes those capital assets among the assets of the Town as a whole.

|                          |                    |
|--------------------------|--------------------|
| Cost of capital assets   | \$1,282,861        |
| Accumulated depreciation | <u>(1,129,604)</u> |
| Total difference         | <u>\$ 153,257</u>  |

**B. Explanation of differences between governmental fund operating statements and the statement of net activities.**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances - total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

|                            |                   |
|----------------------------|-------------------|
| Capital outlay             | \$ 26,411         |
| Depreciation expense       | <u>(65,139)</u>   |
| Net difference as reported | <u>\$(38,728)</u> |

**Note 2: Legal Compliance - Budgets/Statutory**

On or before the first scheduled council meeting in May, all agencies of the Town submit requests for appropriation to the Town's financial officer so that a budget may be prepared. The budget is prepared by fund, function, and activity, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the Town council for review at the first scheduled meeting in May. The Town council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. Any changes to the budget must be within the revenues and reserves estimated as available by the Town financial officer or the revenue estimates must be changed by an affirmative vote of a majority of the Town council. Within 30 days of adoption, the final budget must be submitted to the State Auditor. If there is no increase to the certified tax rate, a final tax rate is adopted by June 22 and adoption of budgets is done similarly.

State statute requires that Town officers shall not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or subsequently amended.

### **Note 3: Cash and investments**

The Town meets the requirements of the Utah Money Management Act (Utah Code Annotated 1953, Section 541, Chapter 7) in handling its depository and temporary investment transactions. This law requires the depositing of Town funds in a "qualified depository". The Act defines a "qualified depository" as any financial institution whose deposits are insured by an agency of the Federal government and which has been certified by the Utah Commissioner of Financial Institutions as meeting the requirements of, and adhering to, the rules of the Utah Money Management Council.

The Money Management Act also defines the types of securities allowed as appropriate temporary investments for the Town and the conditions for making investment transactions. Investment transactions are to be conducted through qualified depositories or primary reporting dealers. All cash and investment accounts are insured, registered, or securities held by the Town or its agent in the Town's name.

The checking and savings accounts are deposited in a single financial institution and cash is carried as follows:

|   | <u>Carrying<br/>Amount</u> | <u>Bank<br/>Balance</u> | <u>Fund</u> |
|---|----------------------------|-------------------------|-------------|
| <b>Cash:</b>                            |                            |                         |             |
| Wells Fargo - checking                  | \$ 210,889                 | \$ 210,025              | Pool        |
| Wells Fargo - checking                  | 103,172                    | 103,247                 | Pool        |
| Wells Fargo - savings                   | 160,869                    | 160,869                 | Pool        |
| Wells Fargo - contractor retainage      | 1,009                      | 1,009                   | General     |
| Wells Fargo - contractor retainage      | 2,899                      | 2,899                   | General     |
| Wells Fargo - contractor retainage      | 9,455                      | 9,455                   | General     |
| Wells Fargo - contractor retainage      | 59,680                     | 59,680                  | General     |
| <b>Investments:</b>                     |                            |                         |             |
| Utah Public Treasurer's Investment Fund | 68,833                     | 68,833                  | Water       |
| Utah Public Treasurer's Investment Fund | 117,185                    | 117,185                 | Water       |
| Utah Public Treasurer's Investment Fund | 4,530                      | 4,530                   | General     |
| Utah Public Treasurer's Investment Fund | 27,350                     | 27,350                  | General     |

The Town's carrying amount of bank deposits at June 30, 2005 is \$547,973 and the bank balance is \$547,184. Of the bank balance, \$273,043 is covered by federal depository insurance (FDIC) and \$274,141 uninsured.

The interest rate paid on the State Treasurer's Pool accounts during the 2004-2005 fiscal year varied from 1.7032% to 3.1816%. The "pool" is a convenient deposit-type investment administered by the State Treasurer's office and offers daily liquidity. Pool deposits are invested mainly in short term investment securities including time certificates of deposit and treasury bills, all of which are in compliance with the Money Management Act.

**Note 4: Accounts receivable**

Paradise Town has accounts receivable as of June 30, 2005, as follows:

**General:**

|                      |              |
|----------------------|--------------|
| Garbage              | \$ 10,327    |
| Communication center | 1,565        |
| Property tax         | 31,558       |
| Class "C"            | <u>7,066</u> |

|                    |               |
|--------------------|---------------|
| Total general fund | <u>50,516</u> |
|--------------------|---------------|

**Water:**

|                                      |                |
|--------------------------------------|----------------|
| Services                             | 19,402         |
| Allowance for uncollectible accounts | <u>(4,000)</u> |

|                  |               |
|------------------|---------------|
| Total water fund | <u>15,402</u> |
|------------------|---------------|

|                           |                  |
|---------------------------|------------------|
| Total accounts receivable | <u>\$ 65,918</u> |
|---------------------------|------------------|

A valuation account, allowance for uncollectible accounts, has been established to more accurately reflect the estimated collectibility of utility accounts receivable.

**Note 5: Restricted assets and reserved fund equity**

Restricted assets and corresponding reserved fund balances and retained earnings represent monies provided or available to the Town for specified purposes and which can only be expended or held in reserve for the intended purpose.

**Note 6: Accounts payable**

Accounts and wages payable consist of amounts incurred and due at June 30, 2005 but which had not been paid as follows:

**General fund:**

|                      |               |
|----------------------|---------------|
| Accounts payable     | \$ 7,603      |
| Contractor retainage | <u>73,043</u> |

|                    |                 |
|--------------------|-----------------|
| Total general fund | <u>\$80,646</u> |
|--------------------|-----------------|

**Water fund:**

|                  |            |
|------------------|------------|
| Accounts payable | \$13,136   |
| Accrued interest | <u>900</u> |

|                  |                 |
|------------------|-----------------|
| Total water fund | <u>\$14,036</u> |
|------------------|-----------------|



**Note 7: General fixed assets**

General fixed asset changes occurring for the year ended June 30, 2005, are as follows:

|                           | Balance<br>July 1,<br>2004 | Additions          | Retirements | Balance<br>June 30,<br>2005 |
|---------------------------|----------------------------|--------------------|-------------|-----------------------------|
| Land                      | \$ 30,091                  | \$ 2,000           | \$          | \$ 32,091                   |
| Building and improvements | 63,709                     |                    |             | 63,709                      |
| Furniture and equipment   | 140,741                    | 10,113             |             | 150,854                     |
| Park improvements         | 105,962                    |                    |             | 105,962                     |
| Infrastructure            | <u>915,947</u>             | <u>14,298</u>      | <u></u>     | <u>930,245</u>              |
| Total                     | 1,256,450                  | 26,411             |             | 1,282,861                   |
| Accumulated Depreciation  | <u>(1,064,465)</u>         | <u>(65,139)</u>    | <u></u>     | <u>(1,129,604)</u>          |
|                           | <u>\$ 191,985</u>          | <u>\$ (38,728)</u> | <u>\$</u>   | <u>\$ 153,257</u>           |

Depreciation expense was charged to governmental functions as follows:

|                                     |                 |
|-------------------------------------|-----------------|
| General government                  | \$ 3,942        |
| Public safety                       | 8,740           |
| Highways and public improvement     | 47,348          |
| Parks, recreation & public property | <u>5,109</u>    |
| Total depreciation expense          | <u>\$65,139</u> |

**Note 8: Changes in long-term debt**

The following is a summary of long-term debt transactions for the Town's proprietary fund type for the year ended June 30, 2005:

|                                |                   |
|--------------------------------|-------------------|
| Bonds payable at July 1, 2004  | \$ 237,282        |
| Less: payment of principal     | <u>(17,476)</u>   |
| Bonds payable at June 30, 2005 | <u>\$ 219,806</u> |

Bonds payable at June 30, 2005, are comprised of the following individual issues:

| <u>Water fund:</u>  | <u>Principal</u> | <u>Current</u>  |
|---|------------------|-----------------|
| \$250,000 water revenue bonds due to Farmers Home Administration in monthly installments of \$1,220 which includes interest on the unpaid balance at an annual rate of 5.0%. Payments are to be made each month until final retirement in August, 2021. | \$151,594        | \$ 7,192        |
| \$25,000 water revenue bonds due to Farmers Home Administration in monthly installments of \$221 with 5% interest. Payments are made each month until final retirement on September 5, 2040.  | 17,498           | 1,753           |
| \$39,000 water revenue bonds due to Water Resources in annual installments of \$2,786 with 0% interest. Payments are to be made by January 1 of each year until final retirement on January 1, 2007.  | 3,571            | 2,786           |
| \$81,000 water revenue bonds due to Water Resources in annual installments of \$6,500 with 5% interest. Payments are to be made annually on March 1 until final retirement on March 1, 2016.  | <u>47,143</u>    | <u>3,800</u>    |
| Total bonds payable   | <u>\$219,806</u> | <u>\$15,531</u> |

Farmers Home Administration (FHA) holds two water fund bonds and requires that 10% of the first year's annual payment be set aside each year for ten years as a reserve. A portion of the fund's assets have been designated as restricted to meet this provision. At June 30, 2005, the total reserve requirement of FHA was \$19,466. The Town also had reserve requirements for the water resource revenue bonds.

Maturities on long-term debt for the next five years are as follows:

|                                     |                   |
|-------------------------------------|-------------------|
| June 30, 2006                       | \$ 26,578         |
| June 30, 2007                       | 24,577            |
| June 30, 2008                       | 23,792            |
| June 30, 2009                       | 23,876            |
| June 30, 2010                       | 24,042            |
| June 30, 2011-2015                  | 115,897           |
| June 30, 2016-2020                  | <u>69,954</u>     |
| Total                               | 308,716           |
| Less: Amounts representing interest | <u>(88,910)</u>   |
| Principal balance                   | <u>\$ 219,806</u> |

**Note 9: Water hook-ups and rates**

Paradise Town water utility fund services both residential and commercial users. As of June 30, 2005, the following information was available:

**Water Users**

|             |            |
|-------------|------------|
| Residential | 293        |
| Commercial  | <u>8</u>   |
|             | <u>301</u> |

**Monthly rates:**

|                            |         |                      |
|----------------------------|---------|----------------------|
| Minimum                    | \$24.00 | first 10,000 gallons |
| Excess over 10,000 gallons | 1.40    | per 1,000 gallons    |

**Note 10: Insurance and bond coverage**

Paradise Town has insurance and bonding policies with effective limits as follows:

| <u>Description</u>   | <u>Policy #</u>  | <u>Issuer</u>               | <u>Limits</u> | <u>Expiration Date</u> |
|--|------------------|-----------------------------|---------------|------------------------|
| <b>Insurance:</b>  |                  |                             |               |                        |
| Comprehensive general liability (includes auto and public officials errors and omissions) (\$250 deductible) | 12910-GL236-2004 | Utah Local Government Trust | \$2,000,000   | Continuous             |
| Property & buildings   | PX809764         | Unigard                     | 903,853       | 7-01-05                |
| <b>Bonds:</b>  |                  |                             |               |                        |
| <b>Public officials bond:</b>  |                  |                             |               |                        |
| Mayor and Treasurer  | UFE1167995       | Old Republic                | 89,000        | 9-24-05                |
| Mayor and Clerk  | UPS1023207       | Old Republic                | 18,000        | 12-23-05               |
| Treasurer  | UPX1023207       | Old Republic                | 18,600        | 12-23-05               |

The government is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. No liabilities have been included in current financial statements since none of the risk situations have occurred in the Town.

**Note 11: Segment information**

The following information is presented for the water utility fund of Paradise Town:

|                          | <u>Balance</u><br><u>July 1, 2004</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u><br><u>June 30, 2005</u> |
|--------------------------|---------------------------------------|------------------|------------------|--|
| <u>Water fund:</u>       |                                       |                  |                  |  |
| Fixed Asset              | \$ 1,234,185                          | \$ 38,239        | \$               | \$1,272,424                            |
| Accumulated Depreciation | 456,848                               | 28,476           |                  | 485,324                                |

Net working capital for the water utility fund is calculated as follows:

|                                      | <u>Water Fund</u> |
|--------------------------------------|-------------------|
| Current Assets:                      |                   |
| Cash                                 | \$ 229,019        |
| Receivables                          | 15,402            |
| Less Current Liabilities:            |                   |
| Accounts payable                     | (14,036)          |
| Current portion of<br>long-term debt | <u>(15,531)</u>   |
| Net Working Capital                  | <u>\$ 214,854</u> |

**Note 12: Memorandum Totals**

Total columns on the financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SUPPLEMENTAL SECTION**



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Town Council  
Town of Paradise  
Paradise, Utah

We have audited the financial statements of the Town of Paradise, Utah (the Town) of and for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Town's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the Town Council and management, and certain legislative bodies. However, this report is a matter of public record and its distribution is not limited.

Peterson Alured Jackson

November 10, 2005



Peterson  
Allred  
Jackson

▪ Certified Public Accountants  
Business Consultants

## **INDEPENDENT AUDITOR'S REPORT ON STATE LEGAL COMPLIANCE**

Honorable Mayor and Town Council  
Town of Paradise  
Paradise, Utah

We have audited the financial statements of the Town of Paradise, Utah (the City), for the year ended June 30, 2005, and have issued our report thereon dated November 10, 2005. As part of our audit, we have audited the Town's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; special test and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The Town received the following major State assistance programs from the State of Utah:

C Road Funds (Department of Transportation)  
Liquor Law Enforcement (State Tax Commission)

The Town did not receive any nonmajor State grants during the year ended June 30, 2005.

Our audit also included testwork on the Town's compliance with those general compliance requirements identified in the State of Utah Compliance Audit Guide, including:

|                          |                        |
|--------------------------|------------------------|
| Public Debt              | Justice Courts         |
| Cash Management          | B & C Road Funds       |
| Purchasing Requirements  | Liquor Law Enforcement |
| Budgetary Compliance     | Other General Issues   |
| Truth in Taxation and    | Impact fees            |
| Property Tax Limitations | Uniform Building Code  |

The management of the Town is responsible for the Town's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.



We conducted our audit in accordance with generally accepted auditing standards and Governmental Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Town of Paradise, Utah, complied, in all material respects, with the general compliance requirements identified above, and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

*Peterson Alfred Jackson*

November 10, 2005



Peterson  
Alfred  
Jackson

▪ Certified Public Accountants  
Business Consultants

November 10, 2005

Honorable Mayor and Town Council  
Town of Paradise  
Paradise, Utah

Dear Mayor Atwood:

In planning and performing our audit of the financial statements of Paradise, Utah (the Town), for the year ended June 30, 2005, we developed the following recommendations concerning certain matters related to the internal control structure (other than "reportable conditions"), compliance issues, and certain administrative and operating matters. These recommendations resulted from our observations made in connection with our audit of the Town's financial statements for the year ended June 30, 2005, and are not based on a special study. Our comments and principal recommendations are summarized below.

#### **PRIOR YEAR FINDINGS**

**Finding:** *Unreserved fund balance.* The Town exceeded the maximum amount of unreserved fund balance as mandated by state law by approximately \$120,000.

**Recommendation:** Monitor unreserved fund balance during the year, including current year activity, to insure that the unreserved portion does not exceed 75% of the estimated general fund revenues.

**Management response:** The Town will review current cash needs for the upcoming year and will make a transfer to a capital projects fund if necessary.

**Status:** The unreserved general fund balance was in excess by approximately \$73,000 at June 30, 2005.

**Finding:** *Payroll taxes.* During our testing of cash disbursements we noted that certain payroll checks had Medicare and Social Security withholdings calculated incorrectly.

**Recommendation:** Review method of calculating payroll tax withholdings.

**Management response:** The accounting software was not updated with the new tax rates. The Town will update all payroll tax tables.

**Status:** The payroll tax tables have been updated.

## CURRENT YEAR FINDINGS

Finding: *Unreserved fund balance.* The Town exceeded the maximum amount of unreserved fund balance as mandated by state law by approximately \$73 ,000.

Recommendation: Monitor unreserved fund balance during the year, including current year activity, to insure that the unreserved portion does not exceed 75% of the estimated general fund revenues.

Management response: The Town took steps to correct this problem by transferring \$120,000 to a newly established capital projects fund. The remaining unreserved fund balance funds were used shortly after the end of the fiscal year on road projects.

Finding: *Cash deposits.* The Town did not deposit funds received within three days in one of our sampled test items.

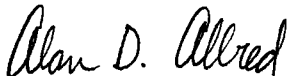
Recommendation: Continue striving to deposit funds within the required three day limit.

Management response: The Town will continue to strive to meet the three day requirement.

In conclusion, we wish to recognize all Town personnel and administrators for their excellent service on behalf of the Town of Paradise. We would especially like to recognize Lee Atwood and Bev Schiefer who have been most cooperative in assisting us in accomplishing the audit for the 2005 fiscal year. The performance of the Town of Paradise annual audit has been an enjoyable experience for us, and we would like to thank the Town for the opportunity to serve you.

Very truly yours,

PETERSON ALLRED JACKSON



Alan D. Allred, CPA

# Paradise Town Corporation

9035 South 100 West

Paradise, UT 84328

435-245-6737

Feb. 10, 2006

Office of the State Auditor  
Division of Local Government  
MacRay A. Curtis CPA, Director

Reference: Fund balance limitation

Dear MacRay Curtis:

As stated in our prior year letter the funds were transferred to our capital improvement account, to be used for road improvements. We also were saving money during this budget year to go towards the project but did not transfer the funds to our capital improvement account, because the project was scheduled to be completed before June 30, 2005. Because of delays by the contractor, the work on the road project did not begin as scheduled in the month of May. The delay pushed the project into the next budget year. The work has been completed and invoices have been paid approximately in the month of October 2005. This was a large project for Paradise Town requiring us to save money from several budget years, to have sufficient funds to get the best bargain available. Because of these expenditures we should currently be in compliance with state law. If you have any further question please contact Lee Atwood at 435-245-6737.

Sincerely,



Mayor Lee Atwood